

## Factors Contributing to Earnings Success of Cash Grain Farms

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**W**ith agriculture potentially becoming less dependent on federal subsidies, the possibility of increased variability of returns due to the vagaries of weather or the volatility of commodity prices is likely to have an impact on the sector. To be successful in their farming business, farmers will select strategies to improve farm production efficiency, risk management, and overall returns/profits. A better understanding of the characteristics that influence returns and/or profits would be useful to producers who wish to make changes in their farming operations in order to increase returns, and to policy-makers who formulate policies designed to help farmers maintain stable incomes.

A cash grain farm's success depends upon its control of variable costs of production, machinery costs, and farm tenure arrangements. Using risk management strategies like forward contracting of inputs, spreading sales over the year, participating in government programs, and farm diversification also contribute to the success of a farm. Using new technology, especially after someone else has already used it in the county plays an important role in the success of a farm. Use of extension services also increases the likelihood of a farm being successful. Finally, management practices such as using rented/leased land, and keeping books and records on income and expenditures helps operator efficiency, and eventually contributes to the success of the farm.

